

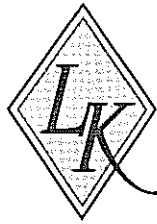
ALMONT COMMUNITY SCHOOLS

ALMONT, MICHIGAN

AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2006

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*Lewis & Knopf, CPAs, P.C.*

Serving You with Trust and Integrity

August 16, 2006

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Almont Community Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Almont Community Schools, as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Almont Community Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Almont Community Schools as of June 30, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2006 on our consideration of the Almont Community Schools' internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis information on pages II - VIII, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Almont Community Schools' basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Lewis & Knopf, P.C.*  
LEWIS & KNOFF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

-I-

ALMONT COMMUNITY SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Almont Community Schools' Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2006.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

**Fund Financial Statements:**

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

**District Wide Financial Statements:**

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

ALMONT COMMUNITY SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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**District Wide Financial Statements:** (Continued)

These two statements report the Almont Community Schools net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District’s financial health or financial position. Over time, increases or decreases in the School District’s net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District’s services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

**The School District as Trustee – Reporting the School District’s Fiduciary Responsibilities**

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**SUMMARY OF NET ASSETS:**

The following summarizes the net assets at the fiscal years ended June 30, 2006 and 2005:

	<u>NET ASSETS SUMMARY</u>	
	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Current Assets	\$5,774,489	\$9,909,792
Non-Current Assets	<u>38,812,009</u>	<u>37,332,364</u>
<u>TOTAL ASSETS</u>	<u>\$44,586,498</u>	<u>\$47,242,156</u>
<u>LIABILITIES</u>		
Current Liabilities	\$4,175,618	\$6,222,913
Long-Term Liabilities	<u>38,989,310</u>	<u>39,434,255</u>
Total Liabilities	\$43,164,928	\$45,657,168
<u>NET ASSETS</u>		
Invested in Capital Assets - Net of Related Debt (Deficit)	(999,989)	(846,171)
Restricted - Debt Service	362,317	249,942
Unrestricted	<u>2,059,242</u>	<u>2,181,217</u>
Total Net Assets	<u>\$1,421,570</u>	<u>\$1,584,988</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$44,586,498</u>	<u>\$47,242,156</u>

ALMONT COMMUNITY SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**RESULTS OF OPERATIONS:**

For the fiscal years ended June 30, 2006 and 2005, the District wide results of operations were:

	<u>2006</u>	<u>2005</u>
<b><u>REVENUES</u></b>		
<u>General Revenues:</u>		
Property Taxes Levied for General Operations	\$856,112	\$808,338
Property Taxes Levied for Debt Service	2,548,998	2,416,822
State of Michigan Unrestricted Foundation Aid	12,106,001	11,475,396
Other General Revenues	<u>292,682</u>	<u>316,351</u>
Total General Revenues	\$15,803,793	\$15,016,907
<u>Operating Grants:</u>		
Federal	413,419	377,014
State of Michigan	216,579	171,780
Other Grants	<u>0</u>	<u>55,715</u>
Total Operating Grants	\$629,998	\$604,509
<u>Charges for Services:</u>		
Food Service	347,797	310,377
Athletics	38,409	37,814
Other Charges for Services	<u>147,521</u>	<u>188,596</u>
Total Charges for Services	\$533,727	\$536,787
Total Revenues	\$16,967,518	\$16,158,203
<b><u>EXPENSES</u></b>		
Instruction & Instructional Support	8,988,965	8,262,314
Support Services	5,194,912	4,487,113
Community Services	135,460	139,173
Food Service	476,316	411,110
Athletics	280,150	276,258
Bond Issuance Costs	172,428	0
Other Capital Project Expenses	261,905	161,467
Interest on Long-Term Debt	1,453,348	1,733,154
Depreciation	<u>167,452</u>	<u>167,453</u>
Total Expenses	\$17,130,936	\$15,638,042
<b><u>INCREASE (DECREASE) IN NET ASSETS</u></b>	(\$163,418)	\$520,161
<b><u>BEGINNING NET ASSETS</u></b>	<u>1,584,988</u>	<u>1,064,827</u>
<b><u>ENDING NET ASSETS</u></b>	<u><u>\$1,421,570</u></u>	<u><u>\$1,584,988</u></u>

ALMONT COMMUNITY SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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**GOVERNMENT- WIDE FINANCIAL ANALYSIS**

Analysis of Financial Position:

During the year ended June 30, 2006, the District's Total Net Assets decreased by \$163,418 to a total of \$1,421,570. The largest portion of the net assets are the District's investment in capital assets. Net assets (invested in capital assets, net of related debt) decreased by \$153,818 during the year due to additional borrowing from the Michigan School Bond Loan Fund and purchases of new capital assets exceeding depreciation and principal payments on related debt. The districts Unrestricted Net Assets decreased by \$121,975 during the year and the restricted portion of the net assets increased by \$112,375. The restricted Net Assets consist of restricted debt retirement funds that may only be used to pay bonded debt. The unrestricted net assets may be used to fund the educational services provided to students.

Analysis of Results of Operations

The district's overall expenses exceeded its revenues for the year by \$163,418. The total revenues increased by \$809,314 or 5% over last years amounts. The major changes were an increase in property taxes and state aid. Expenditures increased by \$1,492,894 or 10% over last year. Major changes were increased cost of operations for the new middle school and the bus garage facility and increased personnel costs.

**FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS**

Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a governments net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

General Fund

The district's general fund is the chief operating fund of the district. Unreserved fund balance for the general fund decreased by \$252,240 during the year with the decrease coming primarily from a decrease in cash. Revenues and other financing sources for the year increased by \$705,724 primarily due to increases in property taxes and state aid. Expenditures and other financing uses increased by \$1,251,521, due to increased operational costs for the new middle school and bus garage facility and increased personnel costs. The major source of general fund revenues is state aid and taxes. An analysis of them is as follows:

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment - Blended at 75 percent of current year's fall count and 25 percent of prior year's winter count
- c. The District's non-homestead tax levy

2. Per Student, Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The Almont Community Schools foundation allowance was \$6,875 per student for the 2005-2006 school year.

ALMONT COMMUNITY SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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**FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)**

Analysis of Financial Position (Continued)

General Fund (Continued)

3. Student Enrollment:

The District's student enrollment for the fall count of 2005-2006 was 1,890 students. An increase of 48 students from the prior year.

4. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

The District levies 18 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2005-2006 fiscal year was \$855,899. An increase of \$47,561 from the prior year.

Capital Projects Fund

The districts Capital projects fund balance decreased by \$2,165,026 as the District's construction project continues.

**GENERAL FUND BUDGETARY HIGHLIGHTS:**

**GENERAL FUND BUDGET VS. ACTUAL**

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Original &amp; Final Budget %</u>	<u>Variance Actual &amp; Final Budget %</u>
Revenue	\$13,592,842	\$13,675,132	\$13,747,327	0.61	0.53
Expenditures	14,069,934	14,084,646	13,999,567	0.10	0.60
<b><u>TOTAL</u></b>	<b><u>(\$477,092)</u></b>	<b><u>(\$409,514)</u></b>	<b><u>(\$252,240)</u></b>		

**ANALYSIS OF BUDGETS:**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Almont Community Schools amends its budget during the school year. The June, 2006 budget amendment was the final budget for the fiscal year. There were no significant variations between original and final budgets. There were no significant variations between final budgets and actual results.



ALMONT COMMUNITY SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

A. Debt, Principal Payments

The District made principal payments on bonded, long term debt obligations that reduced the amount of the District's long term liabilities as follows:

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
<u>Governmental Activities:</u>				
School Bond Loan Fund	\$3,417,551	\$513,158	\$0	\$3,930,709
Building & Site Bonds	37,345,000	7,615,000	8,655,000	36,305,000
Durant Bonds	62,312	0	4,721	57,591
Early Retirement Incentive	0	200,000	0	200,000
Compensated Absences	109,113	6,842	0	115,955
<u>Total Governmental</u> <u>Activities</u>	<u>\$40,933,976</u>	<u>\$8,335,000</u>	<u>\$8,659,721</u>	<u>\$40,609,255</u>

Significant debt transactions for the year besides the required principal and interest payments was the issuance of the 2006 Debt Refunding and the activity of the Michigan School Bond Loan Fund as follows:

On February 13, 2006, the Almont Community Schools issued \$7,615,000 in General Obligation – Unlimited Tax Bonds with an average interest ranging from of 3.90% to 4.20%. The District issued the bonds to advance refund \$7,160,000 of the outstanding 2002 Building and Site Bond Issue with a interest rate ranging from 4.40% to 5.00%. The net proceeds were deposited with an escrow agent and used to purchase U.S. Government Securities. These securities will provide for the future debt service on the 2002 Building and Site Bonds. As a result, a portion of the 2002 Building and Site Bond Issue are considered defeased and the District has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$7,160,000 at June 30, 2006.

The advanced refunding reduced total debt service payments over the next ten years by \$325,097. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$271,238. The balance of the 2006 Refunding Bonds as of June 30, 2006 was \$7,615,000.

The School District has entered into a loan agreements with the Michigan School Bond Loan Fund to borrow monies over a period of years sufficient to extinguish the interest and principal requirements of the 1987 Debt Issue as they become due. The School is required to begin repaying the debt at the point where the School District's State Equalized Valuation times its levy will be in excess of its interest and principal requirements for the 1987 Debt Issue. The loan shall bear interest at the average interest rate computed to the nearest one-eighth of one percent, paid by the State on obligations issued pursuant to Section 16 of Article IX of the State Constitution of 1983. Interest of \$167,361 has been assessed for the year ended June 30, 2006, and is included in the amount owing the State at that date. The principal balance as of June 30, 2006 was \$3,930,709.

Early Retirement Incentive

The District entered into an early retirement incentive plan with its teachers union, effective June 30, 2006, that provides benefits for five years. The District's total liability for this incentive plan was \$200,000 at June 30, 2006.

ALMONT COMMUNITY SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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**CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)**

B. Capital Assets

The district's net investment in capital assets increased by \$21,857,022 during the fiscal year. This can be summarized as follows:

	Balance 7-1-05	Additions	Deductions	Balance 6-30-06
Capital Assets	\$23,290,367	\$22,392,642	\$0	\$45,683,009
Less: Accumulated Depreciation	(6,335,380)	(535,620)	0	(6,871,000)
<u>Net Investment Capital Outlay</u>	<u>\$16,954,987</u>	<u>\$21,857,022</u>	<u>\$0</u>	<u>\$38,812,009</u>

Significant additions were the renovation of Almont elementary, Orchard Elementary and the high school and the construction of a new middle school.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

\* Foundation Allowance

The Board of Education and Administration agreed to an estimate of a foundation allowance of \$7,105 per pupil for the 06-07 fiscal year based on information received from various educational organizations such as Michigan Association of School Business Officials, Michigan Association of School Administrators, and the Michigan Association of School Boards as well as discussions local state representatives. The political debate regarding the funding of public education, the current economic climate in the State of Michigan and the gubernatorial election will all affect this estimate before the final foundation allowance is known.

\* Retirement Rates

The continuing cost of health insurance to current and potential retirees continues to drive the rate increases the Michigan School Personnel Retirement System recommends to the legislature for approval. The rate is anticipated to increase to 17.74% in 06-07 from 16.34% in 05-06.

\* The Almont Community Schools 2006/2007 adopted budget is as follows:

<u>REVENUE</u>	\$14,249,842
<u>EXPENDITURES</u>	<u>14,679,982</u>
<u>NET (UNDER) BUDGET</u>	<u>(\$430,140)</u>

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Almont Community Schools.

ALMONT COMMUNITY SCHOOLS  
STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2006

	<u>Governmental Activities</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$1,759,597
Investments	1,746,262
Accounts Receivable	491
Due from Other Governmental Units	2,251,763
Inventory	16,376
Total Current Assets	<u>\$5,774,489</u>
<u>NON-CURRENT ASSETS</u>	
Capital Assets	45,683,009
Less: Accumulated Depreciation	<u>(6,871,000)</u>
Total Noncurrent Assets	<u>\$38,812,009</u>
<u>TOTAL ASSETS</u>	\$44,586,498
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	291,107
State Aid Note Payable	1,000,000
Salaries Payable	628,721
Accrued Expenses	635,845
Current Portion of Long-Term Obligations	<u>1,619,945</u>
Total Current Liabilities	<u>\$4,175,618</u>
<u>NON-CURRENT LIABILITIES</u>	
Noncurrent Portion of Long-Term Obligations	<u>38,989,310</u>
<u>TOTAL LIABILITIES</u>	\$43,164,928
<u>NET ASSETS</u>	
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	(999,989)
Restricted for:	
Debt Retirement	362,317
Unrestricted	<u>2,059,242</u>
<u>TOTAL NET ASSETS</u>	<u><u>\$1,421,570</u></u>

See accompanying notes to the basic financial statements.

ALMONT COMMUNITY SCHOOLS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue &amp; Change in Net Assets</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Instruction	\$8,988,965	\$29,860	\$458,915	(\$8,500,190)
Support Services	5,194,912	117,661	16,602	(5,060,649)
Community Services	135,460	0	0	(135,460)
Food Service	476,316	347,797	154,481	25,962
Athletics	280,150	38,409	0	(241,741)
Other Capital Project Expenses	261,905	0	0	(261,905)
Bond Issuance Costs	172,428	0	0	(172,428)
Interest - Long-Term Obligations	1,453,348	0	0	(1,453,348)
Depreciation - Unallocated	167,452	0	0	(167,452)
<u>TOTALS</u>	<u>\$17,130,936</u>	<u>\$533,727</u>	<u>\$629,998</u>	<u>(\$15,967,211)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				3,405,110
State Aid				12,106,001
Investment Earnings				192,371
Miscellaneous				100,311
Total General Revenues and Transfers				<u>\$15,803,793</u>
Change in Net Assets				(\$163,418)
Net Assets - Beginning				<u>1,584,988</u>
<u>Net Assets - Ending</u>				<u>\$1,421,570</u>

See accompanying notes to the basic financial statements.

ALMONT COMMUNITY SCHOOLS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2006

	General Fund	2002 Capital Projects	2002 Debt Retirement	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash and Cash Equivalents	\$1,185,085	\$0	\$190,719	\$383,793	\$1,759,597
Investments	1,156,666	589,433	0	163	1,746,262
Accounts Receivable	491	0	0	0	491
Due from Other Governmental Units	2,234,410	0	0	17,353	2,251,763
Due from Other Funds	66,290	16,000	0	0	82,290
Inventory	0	0	0	16,376	16,376
<u>TOTAL ASSETS</u>	<u>\$4,642,942</u>	<u>\$605,433</u>	<u>\$190,719</u>	<u>\$417,685</u>	<u>\$5,856,779</u>
<u>LIABILITIES</u>					
Accounts Payable	\$160,057	\$124,131	\$0	\$6,919	\$291,107
State Aid Note Payable	1,000,000	0	0	0	1,000,000
Due to Other Funds	0	0	0	82,290	82,290
Salaries Payable	628,721	0	0	0	628,721
Accrued Expenses	411,437	0	0	0	411,437
Total Liabilities	\$2,200,215	\$124,131	\$0	\$89,209	\$2,413,555
<u>FUND BALANCES</u>					
Reserved For:					
Inventory	0	0	0	16,376	16,376
Debt Retirement	0	0	190,719	171,598	362,317
Capital Projects	0	481,302	0	0	481,302
Unreserved:					
Undesignated, Reported In:					
General Fund	2,442,727	0	0	0	2,442,727
School Service Funds	0	0	0	140,502	140,502
Total Fund Balances	<u>\$2,442,727</u>	<u>\$481,302</u>	<u>\$190,719</u>	<u>\$328,476</u>	<u>\$3,443,224</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$4,642,942</u>	<u>\$605,433</u>	<u>\$190,719</u>	<u>\$417,685</u>	<u>\$5,856,779</u>

See accompanying notes to the basic financial statements.

ALMONT COMMUNITY SCHOOLS  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
AS OF JUNE 30, 2006

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Total Governmental Fund Balances:		\$3,443,224
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$45,683,009 and the accumulated depreciation is \$6,871,000		38,812,009
Accrued Interest on Long-Term Debt		(224,408)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds Payable	\$36,362,591	
Michigan School Bond Loan Fund	3,930,709	
Early Retirement Incentive	200,000	
Compensated Absences Payable	115,955	
Total Long-Term Liabilities		<u>(40,609,255)</u>
<u>TOTAL NET ASSETS -</u> <u>GOVERNMENTAL ACTIVITIES</u>		<u>\$1,421,570</u>

ALMONT COMMUNITY SCHOOLS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006

	General Fund	2002 Capital Projects	2002 Debt Retirement	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>					
Local Sources	\$1,156,155	\$74,674	\$1,159,148	\$1,825,039	\$4,215,016
State Sources	12,291,652	0	0	30,928	12,322,580
Federal Sources	283,017	0	0	130,402	413,419
Total Revenues	<u>\$13,730,824</u>	<u>\$74,674</u>	<u>\$1,159,148</u>	<u>\$1,986,369</u>	<u>\$16,951,015</u>
<u>EXPENDITURES</u>					
Current:					
Instruction	8,538,100	0	0	0	8,538,100
Student Services	843,211	0	0	0	843,211
Instructional Support	503,170	0	0	0	503,170
General Administration	351,245	0	0	0	351,245
School Administration	824,089	0	0	0	824,089
Business Administration	226,592	0	0	0	226,592
Operation & Maintenance of Plant	1,423,270	0	0	0	1,423,270
Transportation	764,378	0	0	0	764,378
Support Services - Other	30,289	0	0	0	30,289
Community Services	135,460	0	0	0	135,460
Food Service	0	0	0	500,225	500,225
Athletics	0	0	0	273,364	273,364
Debt Service	0	0	0		
Principal	0	0	1,005,000	494,721	1,499,721
Interest	0	0	988,545	499,033	1,487,578
Other	0	0	0	1,024	1,024
Capital Outlay					
Construction	0	1,880,796	0	0	1,880,796
Furniture and Equipment	0	237,916	0	0	237,916
Purchased Services	0	77,558	0	0	77,558
Site Development	0	43,430	0	0	43,430
Total Expenditures	<u>\$13,639,804</u>	<u>\$2,239,700</u>	<u>\$1,993,545</u>	<u>\$1,768,367</u>	<u>\$19,641,416</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	\$91,020	(\$2,165,026)	(\$834,397)	\$218,002	(\$2,690,401)
<u>OTHER FINANCING SOURCES (USES)</u>					
Loan Proceeds	0	0	342,220	0	342,220
Other Transfers	(108,367)	0	0	170,938	62,571
Transfers to Other Funds (Net)	(234,893)	0	568,029	(333,136)	0
Total Other Financing					
Sources (Uses)	<u>(\$343,260)</u>	<u>\$0</u>	<u>\$910,249</u>	<u>(\$162,198)</u>	<u>\$404,791</u>
Net Change in Fund Balance	<u>(\$252,240)</u>	<u>(\$2,165,026)</u>	<u>\$75,852</u>	<u>\$55,804</u>	<u>(\$2,285,610)</u>
<u>FUND BALANCE - BEGINNING</u>	<u>2,694,967</u>	<u>2,646,328</u>	<u>114,867</u>	<u>272,672</u>	<u>5,728,834</u>
<u>FUND BALANCE - ENDING</u>	<u>\$2,442,727</u>	<u>\$481,302</u>	<u>\$190,719</u>	<u>\$328,476</u>	<u>\$3,443,224</u>

See accompanying notes to the basic financial statements.

ALMONT COMMUNITY SCHOOLS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006

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Total net change in fund balances - governmental funds	(\$2,285,610)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

1,479,647

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.

8,659,721

Bond Proceeds

(7,615,000)

Issuance of Early Retirement Incentive

(200,000)

Proceeds from MI School Bond Fund

(513,158)

Change in accrued interest on long-term liabilities

317,824

(Increase) in accrued compensated absences

(6,842)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

(\$163,418)



ALMONT COMMUNITY SCHOOLS  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
AS OF JUNE 30, 2006

		Trust & Agency
<u>ASSETS</u>		
Cash and Cash Equivalents		<u>\$108,850</u>
<u>TOTAL ASSETS</u>		<u><u>\$108,850</u></u>
<u>LIABILITIES</u>		
Due to Student Groups		<u>\$108,850</u>
<u>TOTAL LIABILITIES</u>		<u><u>\$108,850</u></u>

See accompanying notes to the basic financial statements.

ALMONT COMMUNITY SCHOOLS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	\$254,550	\$1,129,006	\$1,156,155	\$27,149
State Sources	13,128,609	12,234,589	12,291,652	57,063
Federal Sources	208,183	287,020	283,017	(4,003)
Total Revenues	<u>\$13,591,342</u>	<u>\$13,650,615</u>	<u>\$13,730,824</u>	<u>\$80,209</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	8,469,464	8,581,691	8,538,100	43,591
Student Services & Instructional Support	1,327,153	1,306,342	1,346,381	(40,039)
General Administration	361,118	366,734	351,245	15,489
School Administration	851,167	841,831	824,089	17,742
Business Services	2,537,016	2,490,485	2,414,240	76,245
Support Services - Other	32,000	28,000	30,289	(2,289)
Community Services	174,326	137,778	135,460	2,318
Total Expenditures	<u>\$13,752,244</u>	<u>\$13,752,861</u>	<u>\$13,639,804</u>	<u>\$113,057</u>
Excess of Revenues Over Expenditures	<u>(\$160,902)</u>	<u>(\$102,246)</u>	<u>\$91,020</u>	<u>\$193,266</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>(316,190)</u>	<u>(307,268)</u>	<u>(343,260)</u>	<u>(35,992)</u>
Net Change in Fund Balance	<u>(\$477,092)</u>	<u>(\$409,514)</u>	<u>(\$252,240)</u>	<u>\$157,274</u>
<u>FUND BALANCE - BEGINNING</u>			<u>2,694,967</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$2,442,727</u>	

See accompanying notes to the basic financial statements.

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

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1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Almont Community Schools conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District’s activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

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2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Funds

Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains two school service funds: Food Service and Athletic Funds.

Debt Retirement Fund

The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund

The Capital Projects Fund is used to account for the acquisition and construction of major facilities by the School District.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

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2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

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2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
Vehicles and Buses	5 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

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2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

1968 PA 2 provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the functional level.

During the year ended June 30, 2006, the School incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

4) DEPOSITS AND INVESTMENTS

As of June 30, 2006, the District had the following investments.

<b>Investment Type</b>	<b>Fair value</b>	<b>Weighted Average Maturity (Years)</b>	<b>Standard &amp; Poor's Rating</b>	<b>%</b>
MILAF External Investment Pool - MICMS	\$ 9,040	0.0027	AAAm	0.52%
MILAF External Investment Pool - MIMAX	1,156,829	0.0027	AAAm	66.25%
Pooled Funds & Mutual Funds	580,393	0.0027	AAAm	33.24%
Total fair value	<u>\$ 1,746,262</u>			<u>100.00%</u>
Portfolio weighted average maturity		<u>0.0027</u>		

1 day maturity equals 0.0027, one year equals 1.00.

**Interest rate risk.** In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2006, the District's investment in the investment pool was rated AAA by Standards & Poor's and AAA by Moody's Investors Service.

**Concentration of credit risk.** The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the District's investments are in investment pools which represents 100% of the District's total investments.



ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

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4) DEPOSITS AND INVESTMENTS (Continued)

**Custodial credit risk – deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2006, \$1,878,217 of the District's bank balance of \$2,547,590 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

**Custodial credit risk – investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

**Foreign currency risk.** The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously report in Note 4:

Deposits – Including Fiduciary Funds of \$108,850	\$ 1,868,447
Investments	<u>1,746,262</u>
<u>TOTAL</u>	<u>\$ 3,614,709</u>

The above amounts are reported in the financial statements as follows:

Cash Agency Fund	\$ 108,850
Cash – District Wide	1,759,597
Investments – District Wide	<u>1,746,262</u>
<u>TOTAL</u>	<u>\$ 3,614,709</u>

5) PROPERTY TAXES

The School District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

6) RECEIVABLES

Receivables at June 30, 2006, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 2,230,741
Federal Grants	<u>21,022</u>
<u>TOTAL</u>	<u>\$ 2,251,763</u>

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2006, the School District had estimated claims of \$724 in conjunction with the program.

8) SHORT-TERM DEBT

The District borrowed \$1,000,000 at 2.64% per annum on August 23, 2005, from Tri-County Bank on a State Aid Anticipation Note. The short-term note proceeds were used to meet cash flow needs. The balance as of June 30, 2006 was \$1,000,000 plus accrued interest of \$22,587. The note matures August 22, 2006.

	<u>BALANCE</u> <u>JULY 1, 2005</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2006</u>
State Aid Note	<u>\$1,500,000</u>	<u>\$1,000,000</u>	<u>\$1,500,000</u>	<u>\$1,000,000</u>

9) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<u>BALANCE</u> <u>JULY 1, 2005</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2006</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Buildings and Improvements	\$21,132,087	\$20,856,816	\$0	\$41,988,903
Land Improvements	657,659	0	0	657,659
Equipment and Furniture	318,284	1,535,826	0	1,854,110
Vehicles	1,182,337	0	0	1,182,337
Totals at Historical Cost	<u>\$23,290,367</u>	<u>\$22,392,642</u>	<u>\$0</u>	<u>\$45,683,009</u>
Less: Accumulated Depreciation				
Buildings and Improvements	(5,317,998)	(421,698)	0	(5,739,696)
Land Improvements	(78,078)	0	0	(78,078)
Equipment and Furniture	(226,537)	(16,980)	0	(243,517)
Vehicles	(712,767)	(96,942)	0	(809,709)
Total Accumulated Depreciation	<u>(\$6,335,380)</u>	<u>(\$535,620)</u>	<u>\$0</u>	<u>(\$6,871,000)</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$16,954,987</u>	<u>\$21,857,022</u>	<u>\$0</u>	<u>\$38,812,009</u>

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 250,865
Support Services	108,356
Food Service	2,161
Athletics	6,786
Unallocated	<u>167,452</u>
<u>TOTAL DEPRECIATION EXPENSE</u>	<u>\$ 535,620</u>

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

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9) CAPITAL ASSETS (Continued)

Investment in capital assets – net of related debt consists of the following:

Capital Assets	\$ 45,683,009
Less: Accumulated Depreciation	(6,871,000)
Less: Long-Term Liabilities	(40,409,255)
Add: Unspent Capital Projects Funds	481,302
Compensated Absences	<u>115,955</u>
<u>TOTAL</u>	<u>\$ (999,989)</u>

10) SELF INSURANCE POOL

The School District participates in a public entity risk pool (self-insurance pool) for its workers' compensation, property and casualty, general liability, and boiler insurance. The pool is through the MASB/SET/SEG and is administered by Corporate Services. The pool provides for reinsurance by various insurance companies at various levels, depending on the coverage. Should the pool experience significant losses in the aggregate, the School District may be required to pay additional monies to the pool. At present, the MASB/SET/SEG has not required additional funds, but rather has issued refunds based on experience gains over experience losses over the last few years. Premiums for the year ended June 30, 2006 were \$75,386 and the School District received a dividend refund of \$12,221.

11) LONG-TERM LIABILITIES

A) 2002 REFUNDING BONDS

On March 5, 2002, the Almont Community Schools issued \$4,100,000 in General Obligation – Unlimited Tax Bonds with an average interest ranging from of 3.00% to 4.50%. The District issued the bonds to advance refund \$3,985,000 of the outstanding 1992 Refunding Bonds with a interest rate ranging from 6.100% to 6.625%. The net proceeds were deposited with an escrow agent and used to purchase U.S. Government Securities. These securities will provide for all future debt service on the 1992 Refunding Bonds. As a result, the 1992 Refunding Bonds are considered defeased and the District has removed the liability from its accounts. The outstanding principal of the bonds is \$2,385,000 at June 30, 2006.

B) 1996 BUILDING AND SITE BONDS

1996 Building and Site Bonds, original issue \$12,195,000 were issued to finance the construction of a new elementary school. The bonds, dated November 1, 1996, are due in annual installments of \$245,000 to \$1,295,000 through May 15, 2006, with interest rates ranging from 5.375% to 7.875%. The bonds were paid in full during the year.

C) 2002 BUILDING AND SITE BONDS

2002 Building and Site Bonds, original issue \$22,350,000 were issued to finance the cost to prepare and develop a site, including playfield and erect, construct, complete, equip and furnish thereon a new middle school building; prepare and develop a site and construct, erect, complete, equip and furnish thereon a new bus maintenance facility; purchase, install, equip, and reequip school buildings for technology; construct, remodel, equip and reequip, furnish and refurnish, and improve the buildings and sites, including playgrounds, playfields and/or physical education fields and athletic sites and facilities at the existing Orchard Primary School, Almont Elementary School and Jr/Sr High School. The bonds, dated October 30, 2002, are due in annual installments of \$525,000 to \$975,000 through May 1, 2032, with interest rates ranging from 2.00% to 5.00%. This bond was partially deferred through a February 13, 2006 refunding bond issue. The balance as of June 30, 2006 was \$13,565,000.

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

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11) GENERAL LONG-TERM DEBT (Continued)

D) 1998 DURANT BONDS

Almont Community Schools issued Durant Resolution Bonds on November 24, 1998 in the amount of \$97,533 at the interest rate of 4.761353%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance as of June 30, 2006 was \$57,591.

E) 2004 REFUNDING BONDS

On February 25, 2004, the Almont Community Schools issued \$13,060,000 in General Obligation – Unlimited Tax Bonds with an average interest ranging from of 2.00% to 4.15%. The District issued the bonds to advance refund \$9,150,000 of the outstanding 1996 Bond Issue with a interest rate ranging from 5.375% to 7.875% and \$3,030,000 of the outstanding 1994 Refunding Bonds with a interest rate ranging from 4.8% to 5.25%. The net proceeds were deposited with an escrow agent and used to purchase U.S. Government Securities. These securities will provide for all future debt service on the 1992 Refunding Bonds. As a result, the 1994 Refunding Bonds and a portion of the 1996 Bond Issue are considered defeased and the District has removed the liability from its accounts. The balance of the 2004 Refunding Bonds as of June 30, 2006 was \$12,740,000.

F) 2006 REFUNDING BONDS

On February 13, 2006, the Almont Community Schools issued \$7,615,000 in General Obligation – Unlimited Tax Bonds with an average interest ranging from of 3.90% to 4.20%. The District issued the bonds to advance refund \$7,160,000 of the outstanding 2002 Building and Site Bond Issue with a interest rate ranging from 4.40% to 5.00%. The net proceeds were deposited with an escrow agent and used to purchase U.S. Government Securities. These securities will provide for the future debt service on the 2002 Building and Site Bonds. As a result, a portion of the 2002 Building and Site Bond Issue are considered defeased and the District has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$7,160,000 at June 30, 2006.

The advanced refunding reduced total debt service payments over the next ten years by \$325,097. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$271,238. The balance of the 2006 Refunding Bonds as of June 30, 2006 was \$7,615,000.

G) MICHIGAN SCHOOL BOND LOAN FUND

The School District has entered into a loan agreements with the Michigan School Bond Loan Fund to borrow monies over a period of years sufficient to extinguish the interest and principal requirements of the 1987 Debt Issue as they become due. The School is required to begin repaying the debt at the point where the School District's State Equalized Valuation times its levy will be in excess of its interest and principal requirements for the 1987 Debt Issue. The loan shall bear interest at the average interest rate computed to the nearest one-eighth of one percent, paid by the State on obligations issued pursuant to Section 16 of Article IX of the State Constitution of 1983. Interest of \$167,361 has been assessed for the year ended June 30, 2006, and is included in the amount owing the State at that date. The principal balance as of June 30, 2006 was \$3,930,709.

H) EARLY RETIREMENT INCENTIVE

The District entered into an early retirement incentive plan with its teachers union, effective June 30, 2006, that provides benefits for five years. The District's total liability for this incentive plan was \$200,000 at June 30, 2006.

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

11) GENERAL LONG-TERM DEBT (Continued)

I) Annual Principal Requirements

The annual principal requirements for all debts outstanding as of June 30, 2006 are as follows:

	MI SCHOOL BOND LOAN FUND	BONDS PAYABLE	EARLY RETIREMENT INCENTIVE	INTEREST	TOTAL
June 30, 2007	\$0	\$1,539,945	\$80,000	\$1,499,485	\$3,119,430
June 30, 2008	0	1,565,182	30,000	1,391,621	2,986,803
June 30, 2009	0	1,600,428	30,000	1,343,279	2,973,707
June 30, 2010	0	1,635,686	30,000	1,288,947	2,954,633
June 30, 2011	0	1,693,573	30,000	1,240,592	2,964,165
June 30, 2012-2016	0	8,482,777	0	5,189,218	13,671,995
June 30, 2017-2021	0	7,150,000	0	3,645,549	10,795,549
June 30, 2022-2026	0	6,920,000	0	2,191,275	9,111,275
June 30, 2027-2031	0	4,800,000	0	899,213	5,699,213
June 30, 2032-2034	0	975,000	0	45,338	1,020,338
Thereafter	3,930,709	0	0	167,361	4,098,070
<u>TOTAL</u>	<u>\$3,930,709</u>	<u>\$36,362,591</u>	<u>\$200,000</u>	<u>\$18,901,876</u>	<u>\$59,395,176</u>

The payment dates of sick days payable is undeterminable.

The interest expenditures on long-term obligations for the year were \$1,353,599.

J) Changes in General Long-Term Debt

The following is a summary of long-term debt transactions of the School District for the year ended June 30, 2006:

	BALANCE JULY 1, 2005	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2006	AMOUNT DUE IN ONE YEAR
<u>Governmental Activities:</u>					
School Bond Loan Fund	\$3,417,551	\$513,158	\$0	\$3,930,709	\$0
Building & Site Bonds	37,345,000	7,615,000	8,655,000	36,305,000	1,535,000
Durant Bonds	62,312	0	4,721	57,591	4,945
Early Retirement Incentive	0	200,000	0	200,000	80,000
Compensated Absences	109,113	6,842	0	115,955	0
<u>Total Governmental Activities</u>	<u>\$40,933,976</u>	<u>\$8,335,000</u>	<u>\$8,659,721</u>	<u>\$40,609,255</u>	<u>\$1,619,945</u>

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

12) LEASE AGREEMENTS

The School District leases various office equipment and facilities under operating leases expiring in various years through 2010. Minimum future rental payments under noncancellable operating leases having remaining terms in excess of one year as of June 30, 2006, for each of the following years and in the aggregate are:

June 30, 2007	\$ 56,867
June 30, 2008	56,867
June 30, 2009	56,867
June 30, 2010	26,998
June 30, 2011	<u>2,432</u>
 <u>TOTALS</u>	 <u>\$ 200,031</u>

Fiscal year 2006 operating lease payments were \$57,664.

13) INTERFUND ACTIVITY

Interfund balances at June 30, 2006 consisted of the following:

DUE TO	DUE FROM		
	GENERAL	CAPITAL	
	FUND	PROJECTS	TOTAL
Special Revenue	\$65,790	\$16,000	\$81,790
Debt Retirement	<u>500</u>	<u>0</u>	<u>500</u>
 <u>TOTAL</u>	 <u>\$66,290</u>	 <u>\$16,000</u>	 <u>\$82,290</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

14) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2006, consisted of the following:

TRANSFERS TO	TRANSFERS FROM
	GENERAL
	FUND
Athletics Fund	<u>\$234,893</u>

These transfers were made to subsidize the cost of services for athletics.

15) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the MPERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

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15) DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy

Employer contributions to the MPSERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 14.87 percent for the period July 1, 2005 through September 30, 2005 and 16.34 percent for the period October 1, 2005 through June 30, 2006 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPSERS pension plan for the years ended June 30, 2006, 2005 and 2004 were \$1,357,990, \$1,092,598 and \$949,703, respectively.

Postemployment Benefits

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPSERS pension plan discussed above.

16) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and workman's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the District from any significant adverse financial impact.

17) CONTINGENCIES AND COMMITMENTS

The District participates in a number of federally assisted grant programs. These programs are subject to program compliance audits. The audit of these programs for and including the year ended June 30, 2006, have been conducted and have been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time; although the District expects such amounts, if any, to be immaterial.

18) SUBSEQUENT EVENTS

The District has approved borrowing \$500,000 at 3.8% interest from Lapeer County Bank on a state aid anticipation note to meet cash flow needs for the 2006-2007 fiscal year.

OTHER SUPPLEMENTAL  
INFORMATION



ALMONT COMMUNITY SCHOOLS  
COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2006

	School Service Fund	Debt Service Fund	Total Other Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$211,858	\$171,935	\$383,793
Investments	0	163	163
Due from Other Governmental Units	17,353	0	17,353
Inventory	16,376	0	16,376
<u>TOTAL ASSETS</u>	<u>\$245,587</u>	<u>\$172,098</u>	<u>\$417,685</u>
<u>LIABILITIES</u>			
Accounts Payable	\$6,919	\$0	\$6,919
Due to Other Funds	81,790	500	82,290
Total Liabilities	\$88,709	\$500	\$89,209
<u>FUND BALANCES</u>			
Reserved For:			
Inventory	16,376	0	16,376
Debt Retirement	0	171,598	171,598
Unreserved:			
Undesignated, Reported In:			
School Service Fund	140,502	0	140,502
Total Fund Balances	\$156,878	\$171,598	\$328,476
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$245,587</u>	<u>\$172,098</u>	<u>\$417,685</u>

ALMONT COMMUNITY SCHOOLS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
OTHER GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006

	School Service Fund	Debt Service Fund	Total Other Governmental Funds
<u>REVENUES</u>			
Local Sources	\$403,498	\$1,421,541	\$1,825,039
State Sources	24,079	6,849	30,928
Federal Sources	130,402	0	130,402
Total Revenues	<u>\$557,979</u>	<u>\$1,428,390</u>	<u>\$1,986,369</u>
<u>EXPENDITURES</u>			
Food Service and Athletics	773,589	0	773,589
Debt Service	0	994,778	994,778
Total Expenditures	<u>\$773,589</u>	<u>\$994,778</u>	<u>\$1,768,367</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(\$215,610)	\$433,612	\$218,002
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers Other Funds	234,893	(568,029)	(333,136)
Other Transfers - Net	0	170,938	170,938
Total Other Financing Sources (Uses)	<u>\$234,893</u>	<u>(\$397,091)</u>	<u>(\$162,198)</u>
Net Change in Fund Balance	\$19,283	\$36,521	\$55,804
<u>NET ASSETS - BEGINNING</u>	<u>137,595</u>	<u>135,077</u>	<u>272,672</u>
<u>NET ASSETS - ENDING</u>	<u>\$156,878</u>	<u>\$171,598</u>	<u>\$328,476</u>

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN  
SPECIAL REVENUE FUND  
COMBINING BALANCE SHEETS  
AS OF JUNE 30, 2006

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$211,561	\$297	\$211,858
Due from Other Governmental Units	17,353	0	17,353
Inventory	16,376	0	16,376
<u>TOTAL ASSETS</u>	<u>\$245,290</u>	<u>\$297</u>	<u>\$245,587</u>
<u>LIABILITIES</u>			
Accounts Payable	\$6,844	\$75	\$6,919
Due to Other Funds	81,568	222	81,790
Total Liabilities	\$88,412	\$297	\$88,709
<u>FUND EQUITY</u>			
Fund Balance - Reserved - Inventory	16,376	0	16,376
Fund Balance - Unreserved and Undesignated	140,502	0	140,502
Total Fund Equity	\$156,878	\$0	\$156,878
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$245,290</u>	<u>\$297</u>	<u>\$245,587</u>

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN  
SPECIAL REVENUE FUND  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2006

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTALS</u>
<u>REVENUES</u>			
<u>Local Sources</u>			
Gate Receipts	\$0	\$38,409	\$38,409
Earnings on Investments and Deposits	6,694	62	6,756
Lunch Sales	347,797	0	347,797
Miscellaneous	10,536	0	10,536
Total Local Sources	<u>\$365,027</u>	<u>\$38,471</u>	<u>\$403,498</u>
<u>State Sources</u>	24,079	0	24,079
<u>Federal Sources</u>			
Federal Reimbursements	130,402	0	130,402
Total Revenues	<u>\$519,508</u>	<u>\$38,471</u>	<u>\$557,979</u>
<u>OTHER FINANCING SOURCES</u>			
Transfers from General Fund	0	234,893	234,893
Total Revenues and Other Financing Sources	<u>\$519,508</u>	<u>\$273,364</u>	<u>\$792,872</u>
<u>EXPENDITURES</u>			
Salaries - Non-Professional	98,874	177,151	276,025
Insurances	13,756	0	13,756
Fica, Retirement, Etc.	26,095	41,945	68,040
Other Benefits	5,400	0	5,400
Purchased Services	71,470	23,189	94,659
Supplies and Materials	237,529	2,805	240,334
Capital Outlay	24,907	18,604	43,511
Other	22,194	9,670	31,864
Total Expenditures	<u>\$500,225</u>	<u>\$273,364</u>	<u>\$773,589</u>
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</u>	<u>\$19,283</u>	<u>\$0</u>	<u>\$19,283</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$137,595</u>	<u>\$0</u>	<u>\$137,595</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$156,878</u>	<u>\$0</u>	<u>\$156,878</u>

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN  
DEBT RETIREMENT FUND  
COMBINING BALANCE SHEETS  
AS OF JUNE 30, 2006

	<u>1986</u> <u>DEBT</u>	<u>1996</u> <u>DEBT</u>	<u>DURANT</u> <u>DEBT</u>	<u>2004</u> <u>DEBT</u>	<u>2006</u> <u>DEBT</u>	<u>Total After</u> <u>Interfund</u> <u>Eliminations</u>
<u>ASSETS</u>						
Cash and Cash Equivalents	\$81,903	\$38,159	\$0	\$51,873	\$0	\$171,935
Investments	<u>163</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>163</u>
<u>TOTAL ASSETS</u>	<u>\$82,066</u>	<u>\$38,159</u>	<u>\$0</u>	<u>\$51,873</u>	<u>\$0</u>	<u>\$172,098</u>
<u>LIABILITIES</u>						
Due to Other Debt Funds	\$500	\$0	\$0	\$0	\$0	\$500
<u>FUND EQUITY</u>						
Fund Balance - Reserved - Debt Retirement	<u>81,566</u>	<u>38,159</u>	<u>0</u>	<u>51,873</u>	<u>0</u>	<u>171,598</u>
<u>TOTAL LIABILITIES AND</u> <u>FUND EQUITY</u>	<u>\$82,066</u>	<u>\$38,159</u>	<u>\$0</u>	<u>\$51,873</u>	<u>\$0</u>	<u>\$172,098</u>

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN  
DEBT RETIREMENT FUND  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2006

	<u>1986</u> <u>DEBT</u>	<u>1996</u> <u>DEBT</u>	<u>DURANT</u> <u>DEBT</u>	<u>2004</u> <u>DEBT</u>	<u>2006</u> <u>DEBT</u>	<u>Total After</u> <u>Interfund</u> <u>Eliminations</u>
<u>REVENUES</u>						
<u>Local Sources</u>						
Property Tax Levy	\$587,670	\$365,733	\$0	\$455,047	\$0	\$1,408,450
Earnings on Investments	5,781	3,107	0	4,203	0	13,091
Total Local Sources	<u>\$593,451</u>	<u>\$368,840</u>	<u>\$0</u>	<u>\$459,250</u>	<u>\$0</u>	<u>\$1,421,541</u>
<u>State Sources</u>	<u>0</u>	<u>0</u>	<u>6,849</u>	<u>0</u>	<u>0</u>	<u>6,849</u>
Total Revenues	<u>\$593,451</u>	<u>\$368,840</u>	<u>\$6,849</u>	<u>\$459,250</u>	<u>\$0</u>	<u>\$1,428,390</u>
<u>OTHER FINANCING SOURCES</u>						
Loan Proceeds	0	0	0	170,938	7,615,000	7,785,938
Transfers from Other Funds	<u>0</u>	<u>345,993</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources	<u>\$0</u>	<u>\$345,993</u>	<u>\$0</u>	<u>\$170,938</u>	<u>\$7,615,000</u>	<u>\$7,785,938</u>
Total Revenues and Other Financing Sources	<u>\$593,451</u>	<u>\$714,833</u>	<u>\$6,849</u>	<u>\$630,188</u>	<u>\$7,615,000</u>	<u>\$9,214,328</u>
<u>EXPENDITURES</u>						
Redemption of Bond Principal	0	325,000	4,721	165,000	0	494,721
Interest on Bonded Debt	0	22,750	2,128	474,155	0	499,033
Dues and Fees	<u>612</u>	<u>412</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,024</u>
Total Expenditures	<u>\$612</u>	<u>\$348,162</u>	<u>\$6,849</u>	<u>\$639,155</u>	<u>\$0</u>	<u>\$994,778</u>
<u>OTHER FINANCING USES</u>						
Issuance Costs	0	0	0	0	172,428	172,428
Payment to Escrow Agent	0	0	0	0	7,442,572	7,442,572
Transfer to Other Funds	<u>468,354</u>	<u>0</u>	<u>0</u>	<u>445,668</u>	<u>0</u>	<u>568,029</u>
Total Other Financing Uses	<u>\$468,354</u>	<u>\$0</u>	<u>\$0</u>	<u>\$445,668</u>	<u>\$7,615,000</u>	<u>\$8,183,029</u>
Total Expenditures and Other Financing Uses	<u>\$468,966</u>	<u>\$348,162</u>	<u>\$6,849</u>	<u>\$1,084,823</u>	<u>\$7,615,000</u>	<u>\$9,177,807</u>
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u>	<u>\$124,485</u>	<u>\$366,671</u>	<u>\$0</u>	<u>(\$454,635)</u>	<u>\$0</u>	<u>\$36,521</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>(\$42,919)</u>	<u>(\$328,512)</u>	<u>\$0</u>	<u>\$506,508</u>	<u>\$0</u>	<u>\$135,077</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$81,566</u>	<u>\$38,159</u>	<u>\$0</u>	<u>\$51,873</u>	<u>\$0</u>	<u>\$171,598</u>

INDIVIDUAL FUND SCHEDULES OF  
REVENUES, EXPENDITURES AND  
OTHER FINANCING USES

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
FOR THE YEAR ENDED JUNE 30, 2006

REVENUES FROMLocal Sources

Property Tax Levy	\$856,112
Earnings on Investments and Deposits	95,540
Transportation Revenue	6,870
Tuition	29,860
Latchkey	59,267
Rentals	5,315
Enrichment Programs	46,209
Other Local Revenues	56,982
Total Revenues from Local Sources	<u>\$1,156,155</u>

State Sources

Unrestricted	
State Aid - Foundation - Sec. 20	12,106,001
Restricted	
Special Education	1,675
Other State Grants	53,960
At Risk	120,263
Durant	9,753
Total Revenues from State Sources	<u>\$12,291,652</u>

Federal Sources

Title I	67,635
Title I - Migrant	16,296
Title V	757
Homeland Security	25,163
Improving Teacher Quality	51,770
Capacity Building	1,717
Safe and Drug Free	2,030
IDEA Flowthrough	117,649
Total Revenues from Federal Sources	<u>\$283,017</u>
Total Revenues	<u>\$13,730,824</u>

OTHER FINANCING SOURCES

Other Transfers	<u>16,503</u>
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TOTAL REVENUES AND OTHER  
FINANCING SOURCES

\$13,747,327



ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2006

INSTRUCTIONBASIC PROGRAMSOrchard Primary

Salaries - Professional	\$1,030,955
Salaries - Non-Professional	27,241
Insurances	232,791
Fica, Retirement, Etc.	254,282
Other Benefits	22,401
Purchased Services	18,934
Supplies and Materials	9,313
Total Orchard Primary	<u>\$1,595,917</u>

Almont Elementary

Salaries - Professional	1,073,826
Salaries - Non-Professional	13,262
Insurances	255,149
Fica, Retirement, Etc.	261,765
Other Benefits	28,208
Purchased Services	19,772
Supplies and Materials	11,133
Other	891
Total Almont Elementary	<u>\$1,664,006</u>

Middle School

Salaries - Professional	1,189,585
Salaries - Non-Professional	20,786
Insurances	311,850
Fica, Retirement, Etc.	289,941
Other Benefits	13,147
Purchased Services	9,227
Supplies and Materials	26,507
Other	712
Total Middle School	<u>\$1,861,755</u>

High School

Salaries - Professional	1,331,278
Salaries - Non-Professional	31,999
Insurances	322,611
Fica, Retirement, Etc.	327,509
Other Benefits	32,053
Purchased Services	33,139
Supplies and Materials	38,937
Capital Outlay	2,013
Other	46,531
Total High School	<u>\$2,166,070</u>

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2006

INSTRUCTION (Continued)BASIC PROGRAMS (Continued)Preschool - Orchard Primary

Salaries - Professional	\$33,590
Salaries - Non-Professional	11,232
Fica, Retirement, Etc.	10,745
Purchased Services	803
Supplies and Materials	1,431
Total Preschool - Orchard Primary	<u>\$57,801</u>

Total Basic Programs

\$7,345,549

ADDED NEEDSSpecial Education

Salaries - Professional	461,277
Salaries - Non-Professional	188,252
Insurances	195,179
Fica, Retirement, Etc.	156,589
Other Benefits	17,050
Purchased Services	819
Supplies and Materials	1,870
Other	1,793
Total Special Education	<u>\$1,022,829</u>

Compensatory Education

Salaries - Non-Professional	134,608
Fica, Retirement, Etc.	32,289
Purchased Services	753
Supplies and Materials	2,072
Total Compensatory Education	<u>\$169,722</u>

Total Added Needs\$1,192,551TOTAL INSTRUCTION

\$8,538,100

SUPPORT SERVICESStudent Services

Salaries - Professional	357,417
Salaries - Non-Professional	212,829
Insurances	65,380
Fica, Retirement, Etc.	137,002
Other Benefits	14,449
Purchased Services	42,288
Supplies and Materials	11,736
Other	2,110
Total Student Services	<u>\$843,211</u>

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2006

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SUPPORT SERVICES (Continued)

Instructional Staff

Salaries - Professional	\$105,700
Salaries - Non-Professional	198,434
Insurances	68,284
Fica, Retirement, Etc.	72,998
Other Benefits	3,000
Purchased Services	45,223
Supplies and Materials	9,531
Total Instructional Staff	<u>\$503,170</u>

General Administration

Salaries - Professional	108,580
Salaries - Non-Professional	84,881
Insurances	33,911
Fica, Retirement, Etc.	42,296
Other Benefits	10,000
Purchased Services	55,611
Supplies and Materials	3,455
Capital Outlay	478
Other	12,033
Total General Administration	<u>\$351,245</u>

School Administration

Salaries - Professional	333,042
Salaries - Non-Professional	197,360
Insurances	94,415
Fica, Retirement, Etc.	126,451
Other Benefits	39,133
Purchased Services	23,465
Supplies and Materials	9,518
Other	705
Total School Administration	<u>\$824,089</u>

Business Office

Salaries - Professional	54,106
Salaries - Non-Professional	37,226
Insurances	39,541
Fica, Retirement, Etc.	28,307
Other Benefits	9,207
Purchased Services	15,329
Supplies and Materials	1,548
Other	41,328
Total Business Office	<u>\$226,592</u>

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2006

<u>SUPPORT SERVICES (Continued)</u>	
<u>Operation and Maintenance of Plant</u>	
Salaries - Professional	\$16,288
Salaries - Non-Professional	301,324
Insurances	74,204
Fica, Retirement, Etc.	78,141
Other Benefits	5,314
Purchased Services	401,546
Supplies and Materials	541,537
Capital Outlay	2,363
Other	2,553
Total Operation and Maintenance of Plant	<u>\$1,423,270</u>
<u>Transportation</u>	
Salaries - Professional	48,865
Salaries - Non-Professional	353,265
Insurances	107,538
Fica, Retirement, Etc.	100,166
Other Benefits	20,057
Purchased Services	22,555
Supplies and Materials	109,404
Other	2,528
Total Transportation	<u>\$764,378</u>
<u>Other Support Services</u>	
Purchased Services	<u>30,289</u>
<u>TOTAL SUPPORT SERVICES</u>	<u>\$4,966,244</u>
<u>COMMUNITY SERVICES</u>	
Salaries - Professional	46,096
Salaries - Non-Professional	47,409
Insurances	15,324
Fica, Retirement, Etc.	20,406
Supplies and Materials	5,990
Other	235
Total Community Services	<u>\$135,460</u>
<u>TOTAL EXPENDITURES</u>	<u>\$13,639,804</u>
<u>OTHER FINANCING USES</u>	
Transfers to Other Funds	234,893
Construction	29,800
Transfers to Other Districts	95,070
<u>TOTAL OTHER FINANCING USES</u>	<u>\$359,763</u>
<u>TOTAL EXPENDITURES &amp; OTHER FINANCING USES</u>	<u><u>\$13,999,567</u></u>

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN  
TRUST AND AGENCY FUNDS  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2006

STUDENT GROUPS	DUE TO (FROM) STUDENT GROUPS		DUE TO (FROM) STUDENT GROUPS	
	JULY 1, 2005	RECEIPTS	DISBURSEMENTS	JUNE 30, 2006
<u>Elementary School</u>				
Band	\$18	\$0	\$0	\$18
Book Fund	322	82	101	303
Choir	212	450	548	114
Counsel - Emer	86	175	37	224
Counsel - Scholarship	82	0	51	31
EMI	712	724	349	1,087
General	2,651	8,583	9,496	1,738
Girls' Basketball	549	0	0	549
Grade 3	438	3,985	4,097	326
Grade 4	1,347	8,582	7,862	2,067
Grade 5	3,423	4,876	4,046	4,253
Grade 6	1,328	226	1,554	0
Grants	1,280	0	792	488
K of C Funds	1,016	1,983	2,339	660
Library/Reading	370	0	0	370
Pop Machine	1,881	1,186	2,480	587
Resource	401	638	675	364
Student Council	726	2,670	2,638	758
T.A.G.	4,429	0	4,429	0
Total Elementary School	<u>\$21,271</u>	<u>\$34,160</u>	<u>\$41,494</u>	<u>\$13,937</u>
<u>Orchard Primary School</u>				
Art	195	0	0	195
Choir	555	0	81	474
EMI	2,414	441	166	2,689
General	5,474	2,896	3,144	5,226
Grade 1	777	2,666	2,816	627
Grade 2	1,167	1,514	1,767	914
Grants	3,455	0	0	3,455
K of C	413	361	0	774
Kindergarten	1,487	575	6	2,056
Library/Reading	142	34	143	33
Memorial Fund	300	0	0	300
Pop Machine	356	1,235	1,223	368
Student Council	279	2,387	2,322	344
Total Orchard Primary	<u>\$17,014</u>	<u>\$12,109</u>	<u>\$11,668</u>	<u>\$17,455</u>

## ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN

## TRUST AND AGENCY FUNDS

## SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS

AS OF JUNE 30, 2006

STUDENT GROUPS	DUE TO (FROM) STUDENT GROUPS			DUE TO (FROM) STUDENT GROUPS	
	JULY 1, 2005	RECEIPTS	DISBURSEMENTS	JUNE 30, 2006	
<u>Middle School</u>					
Cheer	\$0	\$428	\$310		\$118
Choir	0	30	0		30
Drama	0	3,223	910		2,313
General	0	18,136	12,507		5,629
Grade 6	0	21,080	19,241		1,839
Grade 7 (Class of 2011)	0	1,520	1,175		345
Grade 8 (Class of 2012)	0	2,261	2,021		240
Grants	0	2,405	1,914		491
K of C	0	689	438		251
Library	0	5,720	5,705		15
Newsletter	0	2,464	1,706		758
Special Education	0	1,281	420		861
Student Council	0	5,146	3,327		1,819
Track	0	221	221		0
Yearbook	0	8,514	6,987		1,527
Total Middle School	\$0	\$73,118	\$56,882		\$16,236
<u>High School</u>					
Almont Varsity Singers	410	687	728		369
American Sign Language	2	0	0		2
Athletics	(690)	29,320	27,014		1,616
Band Resale	0	3,661	3,530		131
Baseball	591	311	847		55
Basketball - Boys	(35)	4,969	4,338		596
Basketball - Girls	50	4,559	4,608		1
Book Fines	4,547	1,210	4,680		1,077
Boys' Track	8	0	0		8
Cheerleaders - Jr. High	98	0	98		0
Cheerleaders - JV	130	0	0		130
Cheerleaders - Varsity	703	665	950		418
Choir - Jr. High	30	0	30		0
Class of 2006	2,708	3,925	6,633		0
Class of 2007	2,816	11,648	11,524		2,940
Class of 2008	4,686	1,833	2,077		4,442
Class of 2009	2,581	347	288		2,640
Class of 2010	783	0	783		0
Cross Country	22	0	0		22
Dance Team	448	1,883	2,008		323
Donation Fundraisers	0	1,807	1,807		0
Drama	3	6,635	2,648		3,990
Drivers Ed	500	0	500		0
French Club	2,638	1,335	1,341		2,632
Football - Varsity	1,376	9,676	2,747		8,305

## ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN

## TRUST AND AGENCY FUNDS

## SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS

AS OF JUNE 30, 2006

STUDENT GROUPS	DUE TO (FROM) STUDENT GROUPS		DUE TO (FROM) STUDENT GROUPS	
	JULY 1, 2005	RECEIPTS	DISBURSEMENTS	JUNE 30, 2006
<u>High School (Continued)</u>				
General	\$578	\$9,312	\$8,545	\$1,345
Girls' Track	133	0	0	133
Golf	0	600	0	600
Grants	333	1,000	1,000	333
International Club	0	7,101	7,101	0
K of C	275	540	404	411
Library	152	1,010	457	705
Medical Charity	2,185	0	0	2,185
Middle School Student Council	1,301	0	1,301	0
National Honor Society	328	1,069	727	670
Performing Arts	395	0	395	0
Physical Science	24	0	24	0
Science Dept.	0	731	630	101
Ski Club	216	0	0	216
Soccer	1,103	1,804	2,551	356
Softball	4	1,655	1,656	3
Spanish Club	1,441	2,172	3,594	19
Special Ed	1,811	550	1,347	1,014
Student Council	3,188	5,284	4,357	4,115
Talac	323	0	0	323
Tennis	475	2,394	2,339	530
Track - Jr. High	220	1,569	1,706	83
Varsity Club	7,634	15,904	16,835	6,703
Volleyball	7	100	99	8
Walking Club	0	500	106	394
Wrestling	247	31	0	278
Xmas Families	19	0	0	19
Yearbook	7,633	8,649	5,301	10,981
Total High School	<u>\$54,430</u>	<u>\$146,446</u>	<u>\$139,654</u>	<u>\$61,222</u>
<u>TOTAL STUDENT GROUPS</u>	<u>\$92,715</u>	<u>\$265,833</u>	<u>\$249,698</u>	<u>\$108,850</u>

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN  
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

2002 REFUNDING BONDS

DATE OF ISSUE - March 5, 2002

Original amount of issue - \$4,100,000

<u>PAYMENT DATE</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST REQUIREMENT</u>	<u>TOTAL</u>
May 15, 2007	3.750%	\$465,000	\$98,696	\$563,696
May 15, 2008	4.125%	475,000	81,259	556,259
May 15, 2009	4.500%	505,000	61,665	566,665
May 15, 2010	4.100%	540,000	38,940	578,940
May 15, 2011	4.200%	400,000	16,800	416,800
<u>TOTALS</u>		<u>\$2,385,000</u>	<u>\$297,360</u>	<u>\$2,682,360</u>

1998 DURANT

DATE OF ISSUE - November 24, 1998

Original amount of issue - \$97,533

<u>PAYMENT DATE</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST REQUIREMENT</u>	<u>TOTAL</u>
May 15, 2007	4.761353%	\$4,945	\$1,903	\$6,848
May 15, 2008	4.761353%	5,182	1,668	6,850
May 15, 2009	4.761353%	5,428	1,421	6,849
May 15, 2010	4.761353%	5,686	1,163	6,849
May 15, 2011	4.761353%	23,573	8,748	32,321
May 15, 2012	4.761353%	6,240	608	6,848
May 15, 2013	4.761353%	6,537	311	6,848
<u>TOTAL</u>		<u>\$57,591</u>	<u>\$15,822</u>	<u>\$73,413</u>



ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN  
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

2002 BUILDING & SITE BONDS

DATE OF ISSUE - October 30, 2002

Original amount of issue - \$22,350,000

	INTEREST RATE	PRINCIPAL REQUIREMENT	INTEREST REQUIREMENT	TOTAL
<u>PAYMENT DATE</u>				
May 15, 2007	2.450%	\$550,000	\$555,614	\$1,105,614
May 15, 2008	2.750%	550,000	542,139	1,092,139
May 15, 2009	3.000%	550,000	527,013	1,077,013
May 15, 2010	3.200%	550,000	510,514	1,060,514
May 15, 2011	5.000%	550,000	492,914	1,042,914
May 15, 2012	4.000%	550,000	465,414	1,015,414
May 15, 2013	3.600%	550,000	443,414	993,414
May 15, 2014	3.750%	625,000	423,614	1,048,614
May 15, 2015	3.900%	705,000	400,176	1,105,176
May 15, 2016	4.000%	825,000	372,681	1,197,681
May 15, 2017	4.125%	895,000	339,681	1,234,681
May 15, 2018	4.200%	895,000	302,762	1,197,762
May 15, 2019	4.300%	895,000	265,173	1,160,173
May 15, 2020	4.400%	0	226,687	226,687
May 15, 2021	4.500%	0	226,688	226,688
May 15, 2022	5.000%	0	226,687	226,687
May 15, 2023	5.000%	0	226,688	226,688
May 15, 2024	5.000%	0	226,687	226,687
May 15, 2025	5.000%	0	226,688	226,688
May 15, 2026	5.000%	0	226,687	226,687
May 15, 2027	5.000%	0	226,688	226,688
May 15, 2028	4.650%	975,000	226,687	1,201,687
May 15, 2029	4.650%	975,000	181,350	1,156,350
May 15, 2030	4.650%	975,000	136,013	1,111,013
May 15, 2031	4.650%	975,000	90,675	1,065,675
May 15, 2032	4.650%	975,000	45,338	1,020,338
<u>TOTALS</u>		<u>\$13,565,000</u>	<u>\$8,134,672</u>	<u>\$21,699,672</u>

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN  
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

2004 REFUNDING BONDS

DATE OF ISSUE - February 25, 2004

Original amount of issue - \$13,060,000

<u>PAYMENT DATE</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST REQUIREMENT</u>	<u>TOTAL</u>
May 15, 2007	2.000%	\$520,000	\$470,876	\$990,876
May 15, 2008	2.500%	535,000	460,476	995,476
May 15, 2009	2.750%	540,000	447,101	987,101
May 15, 2010	3.000%	540,000	432,251	972,251
May 15, 2011	3.000%	720,000	416,051	1,136,051
May 15, 2012	3.500%	1,160,000	394,451	1,554,451
May 15, 2013	3.500%	1,165,000	353,851	1,518,851
May 15, 2014	3.750%	1,175,000	313,076	1,488,076
May 15, 2015	4.000%	1,170,000	269,014	1,439,014
May 15, 2016	3.800%	500,000	222,214	722,214
May 15, 2017	4.000%	495,000	203,214	698,214
May 15, 2018	4.000%	490,000	183,414	673,414
May 15, 2019	4.150%	480,000	163,814	643,814
May 15, 2020	4.375%	475,000	143,894	618,894
May 15, 2021	4.375%	475,000	123,113	598,113
May 15, 2022	4.375%	470,000	102,331	572,331
May 15, 2023	4.375%	465,000	81,769	546,769
May 15, 2024	4.500%	455,000	61,425	516,425
May 15, 2025	4.500%	450,000	40,950	490,950
May 15, 2026	4.500%	460,000	20,700	480,700
<u>TOTALS</u>		<u>\$12,740,000</u>	<u>\$4,903,985</u>	<u>\$17,643,985</u>

ALMONT COMMUNITY SCHOOLS - ALMONT, MICHIGAN  
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

2006 REFUNDING BONDS

DATE OF ISSUE - February 13, 2006

Original amount of issue - \$7,615,000

<u>PAYMENT DATE</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST REQUIREMENT</u>	<u>TOTAL</u>
May 15, 2007		\$0	\$372,396	\$372,396
May 15, 2008		0	306,079	306,079
May 15, 2009		0	306,079	306,079
May 15, 2010		0	306,079	306,079
May 15, 2011		0	306,079	306,079
May 15, 2012		0	306,079	306,079
May 15, 2013		0	306,079	306,079
May 15, 2014		0	306,079	306,079
May 15, 2015		0	306,079	306,079
May 15, 2016	4.000%	45,000	306,079	351,079
May 15, 2017	3.850%	50,000	304,279	354,279
May 15, 2018	3.850%	50,000	302,354	352,354
May 15, 2019	3.850%	55,000	300,429	355,429
May 15, 2020	3.850%	950,000	298,311	1,248,311
May 15, 2021	3.900%	945,000	261,736	1,206,736
May 15, 2022	4.000%	940,000	224,881	1,164,881
May 15, 2023	4.000%	930,000	187,281	1,117,281
May 15, 2024	4.000%	925,000	150,081	1,075,081
May 15, 2025	4.125%	915,000	113,081	1,028,081
May 15, 2026	4.125%	910,000	75,338	985,338
May 15, 2027	4.200%	900,000	37,800	937,800
<u>TOTALS</u>		<u>\$7,615,000</u>	<u>\$5,382,676</u>	<u>\$12,997,676</u>



Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

August 16, 2006

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education of  
Almont Community Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Almont Community Schools, as of and for the year ended June 30, 2006, which collectively comprise the Almont Community Schools' basic financial statements and have issued our report thereon dated August 16, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Almont Community Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Almont Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Almont Community Schools, in a separate letter dated August 16, 2006.

This report is intended solely for the information and use of the finance committee, management and Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

LEWIS & KNOFF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS



August 16, 2006

To the Board of Education of  
Almont Community Schools

In planning and performing our audit of the financial statements of Almont Community Schools for the year ended June 30, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect Almont Community Schools' ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

The following items that are an immaterial internal control or administrative consideration came to our attention.

#### CURRENT YEAR FINDINGS

1. Budgets and Budgetary Accounting

1968 PA2 provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2006, Almont Community Schools incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

#### FUTURE ISSUES

1. MDE Changes Enforcement of Budgeting Act

The Michigan Department of Education (MDE) recently notified all Michigan School Districts that it was implementing changes in its enforcement of the Uniform Budgeting and Accounting Act. From their perspective, MDE is making this policy change in an effort to elevate awareness of the importance of proper budgeting and the need for district procedures to be in place to detect budget violations. MDE has not aggressively pursued these violations in past years, but has stated their intention to change that policy retroactively to the 2004-05 fiscal year. For that year, the Department has indicated that they are only focusing on the General Fund and will only act upon *Total Expenditures* violations that exceed 1% of the Total Expenditures budget and *Total Other Financing Uses* violations that exceed 1% of the Total Other Financing Uses budget.

Currently identified violations of the Act include, but are not limited to:

- Incurring expenditures in excess of the appropriation approved by the school board (overspending your budget)
- Ending the fiscal year with a deficit (negative fund balance), and
- Adopting a budget that, when implemented, would put the district in a deficit.



Almont Community Schools

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August 16, 2006

#### FUTURE ISSUES (Continued)

- The Department is also currently considering that a violation of the Act also includes the situation where the district did not achieve their full revenue budget and, at the same time, depleted the district fund balance beyond what had been approved by the school board.

Amending your budget before June 30 of each year is the main way to avoid receiving a violation letter from the Department.

#### 2. GASB Statement No. 45

GASB Statement No. 45 was issued in June 2004 and is effective prospectively in three phases in periods beginning after December 15, 2006. For Almont Community Schools, the effective implementation date must begin by June 30, 2008. OPEB are defined as postemployment benefits other than pensions that employees earn during their years of service but that they will not receive until after they retire. They include all postemployment healthcare benefits. They also include any other type of benefits that are provided separately from a pension plan, such as life insurance, legal services, and any other benefits that the employer may provide. OPEB exclude any non-healthcare benefits provided through a pension plan.

The basic premise of GASB No. 45 is that OPEB are earned and should be recognized when the employee provides services, just like wages or salaries paid at the end of each pay period. But because these benefits cannot be used until the employee is no longer working, they are not paid in cash until a date that may extend well into the future.

The District may wish to begin gathering the nonfinancial information needed to generate their first actuarial valuation of OPEB. Information that will be requested by actuaries will be similar to that used for pension benefit calculations and includes:

- \* Listing of all benefits provided by the OPEB plan—as the terms are understood by the employer and the plan members. (This would be a good time to work with employees to convert unwritten/understood benefits to written policy.)
- \* Past OPEB claims experience for the covered group—as far back as needed to create a “credible” experience database or as far back as data is available. (Actuaries will need to use a database for a comparable entity if the government is not able to generate its own database.)
- \* Census information about individual active and inactive plan participants, including age, sex, length of service, and so forth.

#### 3. Cash Management of Federal Grants

The advance provisions of the Cash Management Improvement Act (CMIA) requires that advances be limited to three days cash needs. The Michigan Department of Education will no longer allow thirty day cash advances for ongoing programs.



Almont Community Schools

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A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended for the information of Almont Community Schools' Board of Education and management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

A handwritten signature in cursive script that reads 'Lewis &amp; Knopf, P.C.'.

LEWIS & KNOFF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS